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Message Text

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12
ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AGR-20 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-15 RSR-01 /160 W
---------- 127169
R 030422Z AUG 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 7041

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E.O. 11652: NA
TAGS: EAGR, ETRD, RP
SUBJECT: PROPOSAL TO LIMIT PHILIPPINE COPRA EXPORTS

REF: MANILA 7820

1. PRESIDENTIAL DECREE 230 RETAINING EXPORT TAXES, INCLUDING CURRENT 6 PERCENT COPRA TAX AND 4 PERCENT COCONUT OIL TAX (REFTEL) WAS FOLLOWED WEEK LATER BY ANNOUNCEMENT THAT BOARD OF INVESTMENTS (BOI) HAD FORWARDED TO NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) A PROPOSAL TO BAN COPRA EXPORTS BY 1978. PERMISSIBLE EXPORTS WOULD BE REDUCED 20 PERCENT ANNUALLY UNTIL ZERO LEVEL REACHED.

2. BOARD OF INVESTMENTS JUSTIFIES ITS PROPOSAL BY POINTING TO 15 PENDING OR APPROVED NEW COCONUT MILL APPLICATIONS AS EVIDENCE THAT MILLING CAPACITY WILL EXIST TO HANDLE AVAILABLE COPRA WITHOUT RECOURSE TO COPRA EXPORTS. PROMINENT AMERICAN COPRA EXPORTER, GRANEXPORT, POINTS TO NEW MILL APPLICATIONS AS EVIDENCE THAT MARKET FORCES FAVOR MILLERS AND THAT RIGIDITY OF BAN IS UNNECESSARY. GRANEXPORT, WHICH IS ITSELF CONSIDERING ERECTING A MILL IN PHILIPPINES, ARGUES THAT MARKET FORCES WILL PRODUCE NATURAL TRANSITION TO VIRTUALLY COMPLETE DOMESTIC
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PROCESSING IN APPROXIMATELY SAME TIME PERIOD, AND THAT PHILIPPINES

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THEREFORE OUGHT TO ALLOW CONTINUED COPRA EXPORTS TO THOSE
COUNTRIES, SUCH AS SOVIET UNION, WHICH MAY IGNORE COST FACOTRS
IN ORDER TO KEEP THEIR OWN COCONUT OIL MILLS OPERATING.
COMMENT: BECAUSE MEASURES WHICH HARM COPRA EXPORTERS ALSO
TEND TO HARM COCONUT GROWERS, WHO WEIGHED IN HEAVILY WHEN
INCREASED EXPORT TAX SPREAD BETWEEN COPRA AND OIL WAS BEING
CONSIDERED, IMPLICATIONS OF BOI PROPOSALS ARE CERTAIN
TO BE THOROUGHLY CONSIDERED WITHIN GOP BEFORE ADOPTION.
GRANEXPORT ASSESSMENT THAT MARKET FORCES LIKELY SHARPLY REDUCE
COPRA EXPORT 5RADE AND ITS BUSINESS OVER NEXT FIVE
YEARS APPEARS REALISTIC. WHETHER PROPOSED BAN WILL ACCELERATE
OR EXACERBATE PROCESS EXPECTED BECOME CLEARER AFTER NEDA
CONSIDERATION OF BAN PROPOSAL IS FURTHER ADVANCED.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA08823
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730859/aaaabrpg.tel
Line Count: 75
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 MANILA 7820
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by kelleyw0>; APPROVED <27 FEB 2002 by golinofr>
Review Markings:

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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSAL TO LIMIT PHILIPPINE COPRA EXPORTS
TAGS: EAGR, ETRD, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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